92-04984/

PRINCE EDWARD ISLAND ENERGY CORPORATION ANNUAL REPORT 1990 - 1991

BOARD OF DIRECTORS

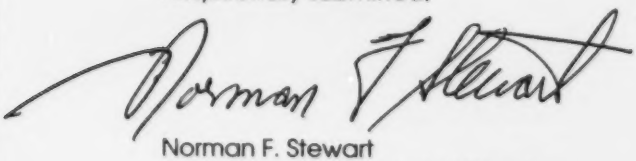
Mr. Norman F. Stewart, Chairman
Mr. David Mabon, Vice Chairman
Mr. Robert Foster, Secretary-Treasurer
Mr. Charles Campbell
Mr. Bruce Lewis
Mr. Clive Stewart
Mr. Harry MacWilliam

The Honourable Roberta Hubley
Minister, Department of Energy & Forestry
P.O.Box 2000
Charlottetown, P.E.I.
CIA 7N8

Dear Mrs. Hubley:

I have the honour to present to you the attached annual report of the Prince Edward Island Energy Corporation for the year ending March 31, 1991. This report has been prepared and is submitted in accordance with the Energy Corporation Act, Section10 (1).

Respectfully submitted,



Norman F. Stewart
Chairman of the Board of Directors

1.0 INTRODUCTION

This is the 12th Annual Report of the P.E.I. Energy Corporation and covers the period April 1, 1990 to March 31, 1991. The Energy Corporation was established by the Energy Corporation Act which was proclaimed on December 9, 1978.

The objectives of the Energy Corporation are to develop and promote energy systems on an economic and efficient basis and to coordinate all government programs in the establishment and application of energy systems in the Province.

The Corporation operates within the general framework of provincial energy policy which is the responsibility of the Minister of Energy and Forestry.

2.0 BOARD OF DIRECTORS

The members of the Board of Directors and their terms of office as of March 31, 1991 were as follows:

Norman F. Stewart, Chairman, March 27, 1990 - March 27, 1993
David Mabon, Vice Chairman, August 3, 1989 - August 3, 1992
Robert Foster, Sect'y-Treas., August 3, 1989 - August 3, 1992
Charles Campbell, January 11, 1990 - January 11, 1993
Bruce Lewis, February 7, 1991 to February 7, 1994
Harry MacWilliam, February 7, 1991 - February 7, 1994
Clive Stewart, April 5, 1990 to April 5, 1993

During the year Mary Jane Cassidy retired from the Board and Clive Stewart and Harry MacWilliam joined the Board.

3.0 STAFF

R.J. Brandon is the General Manager and Dr. John te Raa is the Operations Manager of the Corporation. Karen Hill is the Corporation's Administrative Assistant and the financial affairs and bookkeeping are managed by Joan Robinson working four (4) days per week. John Davey is the Corporation's technician primarily responsible for the operation of the Corporation's district heating systems.

4.0 SUMMARY OF ACTIVITIES

During the year the Corporation, at the request of the Federal Government, took over the management of the Atlantic Wind Test Site at North Cape. This involvement with wind technology is timely as wind turbines are being installed worldwide in those regions having high power rates and high annual wind speeds. Along with

wood biomass the wind might be a significant energy resource for P.E.I. In the area of district heat the Corporation's systems continued to operate successfully and work is underway investigating the feasibility of a wood fuelled cogeneration project to serve an expanded district heat system.

4.1 ENERGY FROM WASTE PLANT

The Energy from Waste Plant (EFW) consumed an estimated 32,000 tonnes of municipal waste in 1990-91 and sold 36.6 million kg of steam to the Queen Elizabeth Hospital (QEH). The steam is estimated to have displaced 3.2 million litres of light fuel oil worth $690,000. The plant has been in operation since March, 1983. During the year the plant's steam turbine produced 270 MWh or 19% of the plant's electrical requirements. The low output is due to a seal problem with the Westinghouse turbine. The machine was sent back to the factory for repairs. In the past 8 years, all available refuse totalling over 252,000 tonnes has been processed for the Greater Charlottetown community resulting in steam sales of over 285 million kg. Oil savings during the period have totalled approximately 24 million litres of light fuel oil.

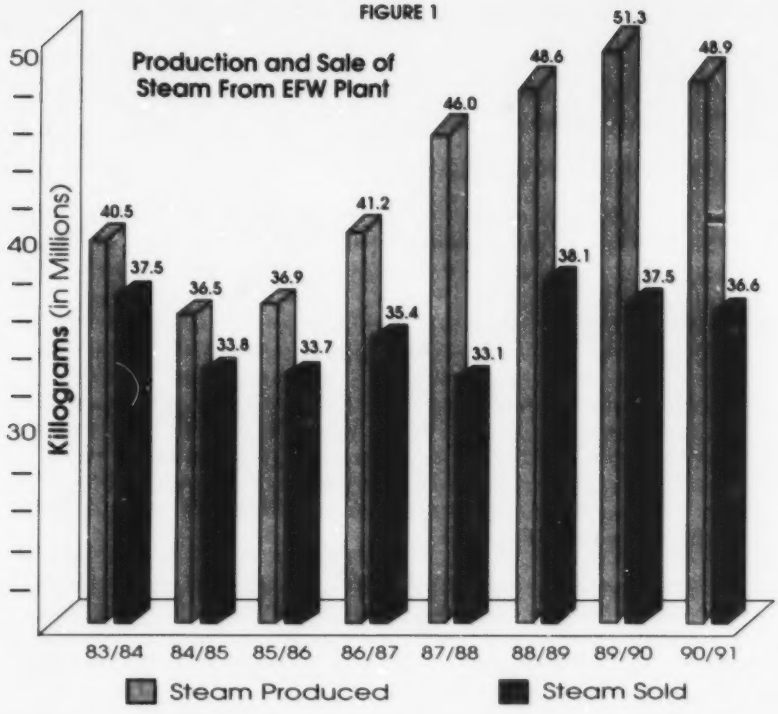
Over the years the plant has maintained both its annual production of steam and its volume of sales to the QEH. These trends are shown in Figure 1. The Corporation continues to evaluate options that would allow a profitable use for waste heat that is currently unused.

The Department of Environment and the Corporation cooperated in the design and implementation of a province wide tippage fee program of $20 per tonne for municipal and commercial waste. Laidlaw Inc. acted as project manager for the installation of scales at the EFW and the three Regional Landfill sites. The scales were put into operation on January 1, 1991 and invoices were issued for informational purposes only. Commercial waste will be billed starting on April 1, 1991 and all waste will be charged starting on April 1, 1992. The capital cost of the project was estimated at $400,000.

During the year the plant operator Laidlaw Inc. replaced the Plant Manager, Peter Klaassen by David Godkin. David was previously a project engineer with AFE Engineering in Charlottetown working on the design of district heating systems.

On May 16, 1990 the Honourable Barry Hicken the Minister responsible for the Energy Corporation, made a presentation to the staff of the EFW Plant in recognition of 5 years operation of the Plant with no lost time due to injury. This is the best record of all the industrial operations of the Laidlaw Group of companies.

FIGURE 1



4.2 DOWNTOWN DISTRICT HEATING SYSTEM

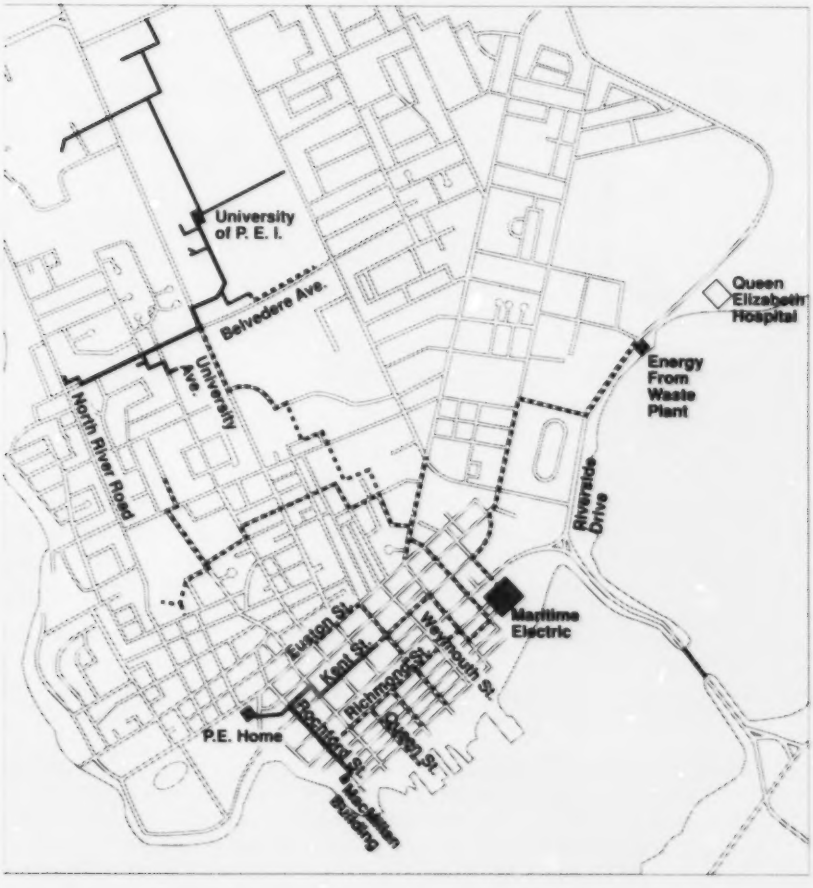
The district heating system serves part of the downtown area of Charlottetown and is shown in Figure 2. Two boiler room plants serve the system. One, based at the Prince Edward Home for the Aged (PEH), has a 1.8 MW wood fired boiler, and two 2.2 MW light oil boilers. The MacMillan Building boiler plant was added to the system in 1990. This plant has 4.5 MW of oil fired boiler capacity. There is also an oil boiler of 2 MW in the Provincial Administration Building (PAB) which serves as an emergency boiler.

The district heating system has a peak load of 8 MW which is supplied from both plants during the winter. The Prince Edward Home plant serves the system during the rest of the year except for annual maintenance during the summer.

In September of 1990 the Kent Street line was extended across University Ave. The reason for this was because the City authorities were repaving University Ave. and did not wish to have the intersection dug up again at a later date. The operating statistics for the downtown system are shown in Table 1.

FIGURE 2

Charlottetown Area District Heating System



Existing System

Proposed Main Pipe System

TABLE 1
DOWNTOWN DISTRICT HEATING SYSTEM
OPERATING STATISTICS

	Oct. 86 Mar. 87	Apr. 87 Mar. 88	Apr. 88 Mar. 89	Apr. 89 Mar. 90	Apr. 90 Mar. 91
Total Plant Output (MWh)	10,068	13,694	16,836	16,690	19,873
Wood Fuel Used (tonnes)	2,542	4,702	4,263	3,750	4,800
Oil Fuel Used (liters)	592,580	824,216	1,047,409	1,165,590	1,241,631
The heat was distributed as follows:					
PEH & PAB	72%	67.3%	72.9%	59.0%	63%
District Heating	25%	28.7%	24.1%	33.1%	36%
Pipe Losses	3%	4.0%	3.0%	7.9%	2%

4.3 UNIVERSITY DISTRICT HEATING SYSTEM

Previous studies had indicated that the emergency boiler capacity was deficient at the University boiler plant. A project was initiated to replace two older fire tube boilers that had about a 5 MW combined capacity with two new firetube boilers of 5 MW capacity each. These boilers will eventually be paid for by savings accruing to the University from the improved efficiency of the hot water distribution system. These savings have been shown to be worth about $100,000 per year. In August the University's Board of Governors approved the boiler project in principle and the final agreement between the Corporation and the University was concluded on October 25th. The budget for the project was $300,000 and the first boiler was put into operation in January, 1991.

The Gulf war increased the price of oil and this price increase was reflected in increased revenues and also increased costs for fuel oil used in the system. The profit/loss situation of the district heating system is sensitive to the cost of oil. However, because part of the district heat revenue is a fixed monthly payment the cost of heating for district heating customers will not rise as much as it will for other businesses served by conventional light oil heating systems.

Operational statistics are shown in Table 2.

TABLE 2
UPEI DISTRICT HEATING PROJECT
OPERATING STATISTICS

	Plant Production (MWh)	Oil Use (Litres)	Wood Use (Tonnes)	University %	Atlantic Veterinary College %	District Heat %	Losses %
Apr. 88 Mar. 89	45,921	2,524,297	10,556	27.7	39.2	28.7	4.4
Apr. 89 Mar. 90	51,654	3,128,748	9,129	34.1	24.3	33.2	8.4
Apr. 90 Mar. 91	51,818	2,866,368	11,100	35.1	25.4	34.3	5.2

4.4 WEST PRINCE PROJECT

This project consists of six wood fired boilers in Prince County. Two of the installations supply hospitals and the rest are located beside large schools. In March, 1990 a workshop was held at Mill River for staff involved with the operation of the units. Also the responsibility for the operation of the units was transferred from Charlottetown to the staff of AWTS Inc. at North Cape. During the heating season of 1990/91 a better operational year was had although the thermal performance of the boilers remains disappointing. Discussions were held during the year with both Public Works and the Hospital Services Commission as well as the Administration of the Western Hospital regarding the operation of the unit at the Western Hospital and its future in regard to the new hospital construction. Consumption of wood fuel at the sites are listed in Table 3.

TABLE 3
MAJOR SITES USING WOOD CHIP FUEL

Location	Wood boiler size (KW)	Annual Wood Fuel Use(tonnes)	Oil(liters) Displacement	Years of Operation
West				
Wedgewood Manor	400	490	88,200	6
West Prince Project				
M.E.Callaghan	450	357	64,260	3
Hernewood	450	380	68,400	3
Westisle	800	620	111,600	3
O Leary Elementary School & Hospital	450	378	68,040	3
Three Oaks High School	800	743	133,740	3
Western Hospital	450	861	89,400	3
Central				
Sleepy Hollow Correctional Centre	400	388	69,840	6
Beach Grove Home	700	744	133,920	5
UPEI/DH	3,800	11,025	1,984,500	4
Prince Edwara Home District Heating	2,000	4,800	864,000	6
East *				
Souris Hospital	450	456	82,080	3
Morell High School	300	144	25,920	4
Montague Sr./ Jr. High School	700	288	51,840	5
Kings County Memorial Hospital	900	1,312	236,160	9
Souris Senior High School	500	192	34,560	5
Provincial Total		23,178	4,106,460	

* Estimctes

5.0 OTHER PROJECTS

5.1 ATLANTIC WIND TEST SITE

In May, 1990 the Corporation's auditors completed a review of the Wind Test Site's operations and prepared a draft feasibility study regarding the take over by the Corporation of the operations of the Test Site. In August a submission was made to Executive Council and approval was obtained to sign an agreement with EM&R with a provincial contribution of $63,000 towards a total budget of $330,000. Negotiations also continued with the Institute of Man & Resources with regard to obtaining the lease to the North Cape property. Atlantic Wind Test Site Inc. was set up on August 10, 1990 as a wholly owned subsidiary of the P.E.I. Energy Corporation. A two year agreement is expected to be signed by AWTS Inc. and Energy Mines & Resources in May, 1991. In setting up the management structure for the site it was decided to use a Technical Advisory Committee which would meet twice a year to review technical issues and approve the on going technical program of the site. The first meeting of this Committee took place on November 20, 1990 and the second meeting took place on January 16-17, 1991 when a workplan for the first year was agreed on.

During the year AWTS under contract to Ontario Hydro carried out a $20,000 performance test on electrical transients using the wind diesel test bed. Also a small $5,000 contract was carried out for the Canadian International Development Agency (CIDA). Figure 3 shows the wind diesel test bed and the 40 KW Enertech turbine at the site.

Staff retained on the changeover from Resource Ventures to the new company AWTS Inc. included; Carl Brothers, Site Manager, Garry Wedge, Robbie Thibideau, Technicians and Karen Kinch as Secretary/Bookkeeper. The operation of the site is intended to be on a cost recovery basis. The current Board of the Corporation will act as the Board for AWTS Inc. and Rob Brandon will act as General Manager of the company.

5.2 PAPERS, PRESENTATIONS AND TRAINING

Two reports managed and edited by the Corporation were published by the International Energy Agency. One, titled "A Technology Assessment of Potential Telemetry Technologies for District Heating" was a review of telemetry systems applicable to district heating. The other titled "Guidelines For Converting Building Heating Systems for Hot Water District Heating" was subcontracted to St. Pauls District Energy Inc. and serves as an engineering manual for the connection of buildings to district heating systems.

Figure 3

The Wind Diesel Test Bed and the 40 KW Enertech Turbine at AWTS

Rob Brandon was invited to sit on an advisory committee of MNACC, the Federal Minister's National Advisory Committee to CANMET. The first meeting took place in Vancouver on March 11-12, 1990. This committee reviews the alternate energy programs of Energy Mines & Resources.

5.3 WOOD FUEL SUPPLY

The Corporation acts as a wood fuel broker to a variety of provincially owned facilities. Wood fuel used by major sites is listed in Table 3.

The majority of fuel is obtained under contract from Arsenault's

Sawmill. During the spring and early summer period fuel was taken from the Hillsborough storage pad using the 7500 tonnes of wood chip material stockpiled from an earlier high volume chipping demonstration.

The arbitration between the Corporation and Bulk Carriers concluded its hearing in front of Arbitrator, Hugh MacIntosh on July 19, 1990. A decision was rendered by Mr. MacIntosh on the issues presented by Bulk Carriers. Of the six issues presented the Arbitrator found in Bulk's favour on three. However, the financial implications favoured the Corporation in that the exposure dropped from the $432,512 claimed by Bulk to less than $50,000. During the 1990/91 heating season the Confederation Centre approached the Corporation for fuel as their supplier was unable to furnish supply. The Corporation allowed the supplier to purchase fuel from its stockpile.

5.4 SPECIAL PROJECTS

The Corporation spent $813,870 on projects relating to Forestry Operations on Crown Lands. There were 170 people employed in thinning and clearing activities. Of the budget $615,885 was spent in wages. The project was managed by the Department of Energy and Forestry on behalf of the Corporation and funds were accounted for under the Provincial Financial Information System.

6.0 PROJECTS UNDER DEVELOPMENT

6.1 CHARLOTTETOWN DISTRICT HEATING SYSTEM

In May 1990, a number of studies associated with the proposed cogeneration project were completed. Jacques Whitford carried out a study on the disposal or use of the wood ash that would be produced from the plant. Coles Associates completed a review of the available heat load in the Charlottetown area. The study confirmed that a design load could be 60 MW_t in the Charlottetown area.

A request for proposals for a turnkey cogeneration plant of about 30 MW_e was issued on March 30, 1990 for a closing date of August 3, 1990. Proposals were received from five companies. A Technical Review Committee was struck consisting of Corporation Board Members, Corporation staff and staff of the Department of Energy & Forestry.

In December, 1990 a presentation was made to Executive Council and a decision was taken to continue to develop the project. Pending environmental approval of the project and negotiations with Maritime Electric further discussions with potential turnkey plant suppliers was put on hold.

7.0 FINANCIAL STATEMENT

The financial statement prepared by our duly appointed auditors follows.

AUDITORS' REPORT

To the Directors of
Prince Edward Island Energy Corporation

We have audited the non-consolidated balance sheet of Prince Edward Island Energy Corporation as at March 31, 1991 and the non-consolidated statements of income and surplus - operating and capital projects and changes in financial position for the year then ended. These non-consolidated financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the non-consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Preston FitzPatrick

Chartered Accountants
Charlottetown, P.E.I.
June 4, 1991

PRINCE EDWARD ISLAND ENERGY CORPORATION
NON-CONSOLIDATED BALANCE SHEET

ASSETS	March 31 1991	1990
CURRENT ASSETS		
Term deposits	$ 5,072	$ 4,534
Accounts receivable	1,535,603	1,078,804
Holdbacks receivable	64,346	9,942
Inventories (note 1)	146,243	386,670
Projects under development	301,149	7,454,205
	2,052,413	8,934,155
PROPERTY, PLANT AND EQUIPMENT (note 2)		
Fixed assets	20,007,573	12,341,948
Accumulated depreciation	698,328	474,228
	19,309,245	11,867,720
	$21,361,658	$20,801,875
LIABILITIES AND SURPLUS		
CURRENT LIABILITIES		
Bank indebtedness (note 3)	$ 4,373,551	$ 3,595,093
Promissory notes - Province of Prince Edward Island		3,617,000
Accounts payable and accrued liabilities	1,219,925	1,603,939
Deferred revenue - debt retirement grant	49,903	49,903
Deferred revenue - projects under development	575,000	3,401,170
Deferred revenue - other	2,158	
Principal due within one year on long-term debt	220,369	111,538
	6,440,906	12,378,643
LONG-TERM DEBT (note 4)	10,408,707	6,562,076
SURPLUS		
Surplus - operating	259,930	285,715
Deficit - capital projects	4,602,229	3,917,930
Capital - (note 5)	8,854,344	5,493,371
	4,512,045	1,861,156
	$21,361,658	$20,801,875

APPROVED BY THE BOARD:

Norman J. Fleury Director _____ Director

Contingencies (note 6)

PRINCE EDWARD ISLAND ENERGY CORPORATION
NON-CONSOLIDATED STATEMENT OF INCOME AND SURPLUS - OPERATING

	Year ended March 31 1991	1990
Revenues		
Grants - Province of Prince Edward Island	$427,546	$431,622
Other	2,342	19,827
Income - projects	16,615	
	446,503	451,449
Expenses		
Projects	17,299	30,998
Administration		
Audit	7,235	5,500
Consulting and legal	138,548	134,768
Directors' honorarium	16,276	15,544
Materials and supplies	1,918	2,629
Miscellaneous	3,721	10,155
Office equipment	502	1,238
Office supplies	5,105	2,807
Telephone	7,348	6,861
Travel	21,635	18,064
Wages and levies	225,258	204,674
	444,845	433,238
Income before other loss	1,658	18,211
Other loss (note 7)	27,443	41,745
NET LOSS	25,785	23,534
Surplus at beginning of year	285,715	309,249
SURPLUS AT END OF YEAR	$259,930	$285,715

PRINCE EDWARD ISLAND ENERGY CORPORATION
NON-CONSOLIDATED STATEMENT OF INCOME AND DEFICIT - CAPITAL PROJECTS

	Year ended March 31 1991	1990
Revenues		
Sale of heat	$1,805,657	$1,345,953
Tippage fees	865,280	832,000
Energy savings	149,659	119,770
Interest and other	3,398	3,090
Province of P.E.I. - debt retirement grant	135,700	135,700
- operational grant West Prince	126,794	122,046
	3,086,488	2,558,559
Expenses		
Bad debts		343
Depreciation	224,100	170,496
Fuel	605,480	528,313
Interest	1,713,121	1,520,472
Management	88,428	83,700
Maintenance - regular	74,853	60,848
- major	110,146	179,130
Operations	994,566	1,029,231
Property taxes	117,862	112,249
	3,928,556	3,684,782
	842,068	1,126,223
Other - amortization of capital grant	84,022	62,833
- reallocated to uncompleted projects	73,747	19,995
	157,769	82,828
NET LOSS	684,299	1,043,395
Deficit at beginning of year	3,917,930	2,874,535
DEFICIT AT END OF YEAR	$4,602,229	$3,917,930

PRINCE EDWARD ISLAND ENERGY CORPORATION
NON-CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended March31 1991	1990
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Net loss - operating	$ (25,785)	$ (23,534)
- capital projects	(684,299)	(1,043,395)
Items which do not involve cash		
Depreciation	224,100	170,496
Amortization of capital grant	(84,022)	(62,833)
Change in non-cash operating working capital	(516,528)	22,251
	(1,086,534)	(937,015)
FINANCING		
Change in non-cash financing working capital	(136,104)	(173,847)
Issuance (retirement) of promissory note	(3,617,000)	767,000
Issuance of long-term debt	4,067,000	
Reduction of long-term debt	(111,538)	(101,226)
Increase in capital grants	3,444,995	
Increase in deferred revenue - projects under development	618,825	496,238
Capitalization of deferred revenue - projects under development	(3,444,995)	
	821,183	988,165
INVESTMENTS		
Additions to projects under development	(512,569)	(962,646)
Capitalization of projects under development	7,665,625	
Additions to property, plant and equipment	(7,665,625)	
	(512,569)	(962,646)
DECREASE IN CASH POSITION	(777,920)	(911,496)
Cash position at beginning of year	(3,590,559)	(2,679,063)
CASH POSITION AT END OF YEAR	$(4,368,479)	$(3,590,559)
Represented by		
Term deposits	$ 5,072	$ 4,534
Bank indebtedness	(4,373,551)	(3,595,093)
	$(4,368,479)	$(3,590,559)

PRINCE EDWARD ISLAND ENERGY CORPORATION
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1991

GENERAL

The corporation is a Crown corporation established by the Energy Corporation Act and its principal activities are to develop and promote energy systems.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Non-consolidated financial statements

These financial statements have been prepared in accordance with generally accepted accounting principles except that they have not been consolidated with those of the corporation's subsidiary.

The investment in the subsidiary is accounted for by the cost method, whereby income of the subsidiary is recorded in the accounts only to the extent of dividends received during the year.

Inventories

Inventories of maintenance supplies, construction materials and woodchips are valued at cost.

Projects under development

The net surplus or deficit from incidental revenue earned during the project construction phase is capitalized as part of the cost of the project.

Property, plant and equipment

Minor fixed assets are retired out of operating grants and revenues and expensed in the statement of income and surplus - operating, in the period of acquisition.

Major fixed assets remaining the property of the Prince Edward Island Energy Corporation are transferred to the fixed asset accounts from projects under development when such projects are complete.

Depreciation has been provided on fixed assets in accordance with principal payments on long-term debt.

It is the corporation's policy to expense replacement assets for the Energy from Waste Plant in the year of acquisition.

Interest capitalization

Interest incurred to finance the construction of major projects is capitalized to the various projects.

Notes (Continued)

1. INVENTORIES

	1991	1990
Maintenance supplies	$ 10,223	$ 8,398
Construction materials	136,020	98,178
Woodchips		280,094
	$146,243	$386,670

2. PROPERTY, PLANT AND EQUIPMENT

	1991			1990
	Cost	Accumulated depreciation	Net	Net
Waste burning plant	$10,386,407	$ 43,605	$10,342,802	$10,363,045
District heating	2,865,421	618,531	2,246,890	1,504,675
U.P.E.I. district heating system	4,915,524	36,192	4,879,332	
West Prince heating system	1,840,221		1,840,221	
	$20,007,573	$698,328	$19,309,245	$11,867,720

3. BANK INDEBTEDNESS

Bank indebtedness is secured by a guarantee from the Province of Prince Edward Island to a maximum of $5,250,000.

4. LONG-TERM DEBT

	1991	1990
Waste Burning Plant 12% debenture, payable interest only to 1993 with equal principal and interest installments commencing in 1993 to amortize the balance over a ten year period	$5,500,000	$5,500,000

Debentures payable in equal annual principal and interest installments

Project	Interest Rate	Annual Payment	Maturity Date		
Waste Burning Plant	11 1/8%	$27,618	Dec.15/1998	141,494	152,182
District Heating	10 1/4%	135,710	July 2/1996	586,751	655,293
	9 3/4%	68,007	Dec.15/1997	333,831	366,139
	12%	60,246	Mar.31/2011	450,000	
U.P.E.I. District Heating System	11 1/2%	358,893	Oct.01/2010	2,767,000	
West Prince Heating System	11 1/8%	23,215	Mar.31/2001	136,000	
	11 1/8%	27,568	Mar.31/2001	161,500	
	11 1/8%	21,764	Mar.31/2001	127,500	
	11 1/8%	21,764	Mar.31/2001	127,500	
	11 1/8%	26,117	Mar.31/2001	153,000	
	11 1/8%	24,666	Mar.31/2001	144,500	
				10,629,076	6,673,614
Principal included in current liabilities				220,369	111,538
				$10,408,707	$6,562,076

Principal due within each of the next five years on long-term debt is approximately as follows:

1992 - $220,369
1993 - 243,944
1994 - 270,048
1995 - 848,959
1996 - 880,976

5. CAPITAL SURPLUS

The corporation has adopted the policy of capitalizing those funds received in financial support of the capital cost of fixed assets. The surplus is being amortized to income by the same method that depreciation is provided on the related assets.

	1991	1990
Balance at beginning of year	$5,493,371	$5,556,204
Funds capitalized	3,444,995	
	8,938,366	5,556,204
Amortization	84,022	62,833
BALANCE AT END OF YEAR	$8,854,344	$5,493,371

6. CONTINGENCIES

The corporation is in arbitration with a wood biomass supplier. Management is of the opinion that some liability may result from this arbitration. The dollar amount of which is undeterminable at this time.

The corporation has received a grant of $ 575,000 from Energy Mines and Resources. As a condition of this assistance, the corporation will be required to implement district heating construction in an amount equal to $ 1,150,000. To date, $ 6,617 has been spent in relation to this condition. Should the corporation fail to meet the condition, a portion of the assistance will have to be repaid.

7. OTHER LOSS	1991	1990
Revenue		
Sale of wood	$676,424	$536,949
Recovery on woodchip contract	49,771	
Miscellaneous	5,732	
	731,927	536,949
Expenses		
Wood and wood administration	662,750	570,462
Bad debts - wood supply	10,652	8,232
Arbitration costs	85,968	
	759,370	578,694
Other loss	$ 27,443	$ 41,745

8. RELATED PARTY

The corporation has a wholly owned subsidiary, the Atlantic Wind Test Site Inc., which conducts wind energy research on Prince Edward Island. The investment consists of 5,000 common shares without nominal or par value.

Included in expenses are payments of $25,270 to the subsidiary. Included in accounts payable and accrued liabilities is $15,118 which represents amounts payable by the corporation to its subsidiary at March 31, 1991.

PRINCE EDWARD ISLAND ENERGY CORPORATION

NON-CONSOLIDATED SCHEDULE OF INCOME AND EXPENSES - CAPITAL PROJECTS

	Year ended March 31 1991				
	U.P.E.I.	EnergyFrom Waste	District Heating	West Prince	Total
Revenues					
Sale of steam	$671,517	$ 737,020	$302,070	$95,050	$1,805,657
Tippage fees		865,280			865,280
Energy savings	149,659				149,659
Interest& other	1,468		1,930		3,398
Province of P.E.I.					
- Debt retirement grant			135,700		135,700
- Operational grant West Prince				126,794	126,794
	822,644	1,602,300	439,700	221,844	3,086,488
Expenses					
Depreciation	36,192	20,243	167,665		224,100
Fuel	383,260		123,635	98,585	605,480
Interest	382,687	1,138,799	96,810	94,825	1,713,121
Management		88,428			88,428
Maintenance					
- regular	27,940		7,306	39,607	74,853
- major		110,146			110,146
Operations		994,566			994,566
Property taxes		117,862			117,862
	830,079	2,470,044	395,416	233,017	3,928,556
	(7,435)	(867,744)	44,284	(11,173)	(842,068)
Other					
Amortization of capital grant	14,739	9,686	59,597		84,022
Reallocated to uncompleted projects	62,574			11,173	73,747
	77,313	9,686	59,597	11,173	157,769
Net income (loss)	69,878	(858,058)	103,881	Nil	(684,299)
Deficit at beginning of year	Nil	3,873,429	44,501	Nil	3,917,930
SURPLUS (DEFICIT) AT END OF YEAR	$ 69,878	(4,731,487)	$ 59,380	$ Nil	(4,602,229)